

The Conference Board MANAGEMENT RECORD

MARCH, 1941

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VOL. III, No. 3

Saving for Defense

AMERICAN WORKERS, by and large, are making more money today than they have ever made. Several factors have combined to bring this about. The controlling cause, of course, is the tremendous stimulus to industrial activity, generated by the vast program of national preparedness for defense. This in itself, however, would not be sufficient to account for the present high level of earnings. There have been business booms in the past but wages did not reach current levels. The defense program has brought about high earnings because the increasing scale of operation has magnified the effects of already existing basic conditions.

Wage rates have been steadily rising during the last several years. Average hourly earnings in 25 manufacturing industries, as computed by THE CONFERENCE BOARD, have increased during the last five years from 60.4¢ to 75.4¢, practically 25%. This figure of 75.4¢ for average hourly earnings in December, 1940 is highly significant when compared with similar figures for other periods when labor was considered to be well off. At the peak of the postwar inflationary period in October, 1920, average hourly earnings reached 61.1¢. After a decline in 1921 and 1922, they again began to climb, and, at the height of the boom in 1929, had reached 59.4¢. And yet, at the beginning of 1941, with the country in only the early stages of a great industrial expansion, hourly earnings averaged 75.4¢. High wage rates are, therefore, one important factor in the high earnings of today.

A second factor is a shortage of skilled labor, combined with the effect of the Fair Labor Standards Act, which makes all work in excess of 40 hours a week subject to payment at least at the rate of time and one-half. As early as 1935 it was evident that American industry was under-supplied with highly skilled craftsmen, such as tool and die makers, all-round machinists, expert operators of various machine tools, molders and pattern-makers, and welders and assemblers. Apprentice train-

ing was resumed, but on not nearly wide enough a scale. When the defense emergency suddenly required that the industries which depend on these highly skilled craftsmen double and treble their output, it became necessary, pending the availability of additional trained labor, to extend the working hours of the existing supply in order to secure maximum use of their skills. Many companies that would normally work 40 hours per week now have work schedules in single or multiple shifts of from 50 to over 60 hours per week, with, of course, all work over 40 hours per week being compensated for at one and one-half times the regular hourly rate.

WORKERS' EARNINGS INCREASE

High wage rates—coupled with longer work weeks, often a substantial part of them at overtime rates—have, therefore, given to industrial workers high earning power. Moreover, the number employed is steadily increasing, and, consequently, this high earning power is being extended to more and more people. THE CONFERENCE BOARD's index of factory employment has risen from an average of 79.5 in 1938 and 87.4 in 1939 to 108.0 in December, 1940. In that month it was estimated that 48,439,000 persons in the United States were employed, representing a gain of nearly two million over December, 1939. High individual earnings and a steadily increasing number employed mean that the aggregate income of workers is rising to an unprecedented figure.

What are employees going to do with the high wages that they are earning and will continue to earn as long as the emergency lasts?

Each worker undoubtedly feels that how he disposes of his earnings is entirely his own affair. In a narrow sense that is quite true, but in a broader sense the way he spends his money may have a profound effect on the national economy and hence indirectly upon himself. He has two alternatives—he can spend practically all

he earns for immediate satisfactions, and even mortgage future earnings through instalment purchasing, or he can save a reasonable part for future needs and emergencies. By saving he will protect those dependent on him and at the same time relieve what may be a serious strain on the country's ability to adjust itself to the defense program without unnecessarily disturbing economic balance.

The temptation to spend most, if not all, of his earnings on comforts and luxuries will be very strong. The ups and downs of industrial activity have accustomed employees to recurrent periods of feast and famine. For many the last several years have been a prolonged period of famine. Intermittent periods of employment, part-time work, or even dependence on the W.P.A. or relief, have made it impracticable to do many things that now are made possible by high earnings. There will be a strong inclination to enjoy the feasting period to the fullest extent while it lasts. Catching up with past deficiencies in purchasing power will naturally whet the appetite for more of the things that money will buy. When current earnings are not sufficient for the immediate purchase of the more expensive desires, instalment payment plans are always available, encouraging consumers to commit themselves to regular payment for months or years ahead. Consumer credit may become dangerously expanded, and, in such a condition, there is the constant danger of serious loss to instalment purchasers and additional financial complications if the present boom should end suddenly as it is quite likely to do.

EFFECTS OF A SPENDING SPREE

Immediate spending of practically full earnings for current satisfactions will boost living standards to a new high level, but one that cannot be indefinitely maintained. This is made possible because wages have increased substantially while living costs have so far risen only slightly, permitting the diversion of a larger proportion of income to the purchase of non-essentials. Therefore, with the surplus over actual living expenses now at his disposal the wage earner can, if he wishes, purchase luxuries in the way of better goods and services and new advantages that in the past he has had to deny himself. For the time being, assuming an adequate supply of what he wishes to buy, the wage earner who spends all his income will seem to be riding high.

In addition to those whose earnings in their regular occupations have been increased by high rates and long hours of work, there is another group whose earnings are also increased by the defense emergency but in a different manner. The operation of the Selective Service Act is withdrawing thousands of men from civilian jobs for a year's military training, and the Act provides that upon completion of the training period these men must be restored to the jobs they held or to others equally

desirable. The places of these conscripted men are in many cases being filled by juniors or subordinates through temporary promotion. Thus, an assistant foreman becomes a foreman for a year at the foreman's salary. The temporary character of these promotions is likely to be lost sight of and those who benefit from them are in the same danger of gearing their expenditures and standard of living to the new earning level as the wage earner benefiting from overtime.

A gradual rise in standards of living is a primary objective and result of the enterprise system. But a sound rise, and one that can be sustained, must be based not on an abnormal and temporary increase in earning ability, but on greater productivity. The sudden elevation of living standards induced by artificially high wages and salaries that result from a critical national emergency is necessarily inflationary in character. High standards established under such extreme conditions can last only as long as the emergency lasts.

There is a real danger unless the temporary character of the present boom period is recognized. Workers are likely to assume that they have arrived permanently at a new and sharply advanced stage in their progress upward. Their plans and expectations for the future will be based on their new level of earnings, and the longer the emergency period continues the more firmly will they seem to be established on a higher standard of living. Unless they can be helped to realize that the artificially high standard of living resulting from lavish spending of high wages is necessarily temporary, a sad disillusionment lies ahead. When the inevitable period of readjustment to a more normal scale of operation is reached, inflated standards of living will collapse as earnings decline and bewildered and resentful workers will think that the enterprise system has let them down. Under the goading of agitators of one kind or another they are not likely to accept their losses without protest. A working population that has learned to apply political pressures to obtain advantages or government subsidies of one kind or another will expect the government to take a hand to insure maintenance of the living standards to which they have become accustomed.

Attainment of temporary high living standards during the emergency period can be possible, of course, only if wage earners retain control over their high earnings. The burden of defense production may become so great that living standards will be forced downward instead of rising. Production of defense material may so restrict production of consumption goods or the financing of war production may require such heavy taxation that the worker may be necessarily restricted in the use which he makes of his high wages.

Even with ability to spend most of his wages as he wishes, excessive buying of luxury goods, and even what may be considered necessities, can reduce the worker's purchasing power and thus depress living

standards, if certain conditions develop, even before war production and consequent high wages come to an end. The productive facilities of the United States are being strained to the utmost by superimposing on normal production a large additional burden of military and naval equipment manufacturing. Where there is a conflict of needs, defense production will receive the preference. Already certain commodities have been placed on a priorities list. Already defense needs for machine tools and equipment are making it difficult for non-essential industries to secure what they need and want. Already labor is being attracted to defense industries from other occupations because of the high earnings that are possible, and it is conceivable that if the situation becomes critical labor may be drafted for defense work. Thus, the tendency is likely to be to make it more and more difficult to produce a large volume of non-defense goods under conditions that will permit maintenance of the present scale of prices.

If practically all the increased total of wages and salaries is spent for the usual necessities, near-necessities and luxuries, the demand for these products will be substantially stimulated. To meet such a demand industries manufacturing these commodities must expand their production. In many cases this would require that these plants compete for labor, materials and equipment with the defense industries. Probably no one would intentionally wish to have his purchases interfere in any way with maximum effectiveness of the defense program, but heavy individual spending could easily have that effect.

If industries manufacturing consumption goods could not expand their facilities or scale of operation sufficiently to meet the demand created by the spending of practically all the large wages that will be earned, a shortage of such goods would develop. Under such circumstances it may be expected that prices would rise as consumers competed with each other for the available supply of goods. When prices rise, purchasing power declines, unless wage increases can keep pace with price advances. What has usually happened during such periods in the past is that price rises form the basis for wage increases, which in turn result in further advances in prices. This upward spiraling of wages and prices benefits no group, except perhaps momentarily before one factor catches up with the other. It simply means that the prices of labor and of commodities chase each other upward, one set of prices trying to keep ahead of the other, while the value of money depreciates and the stage is set for real inflation. When the bubble bursts, everyone loses. Therefore, having more money to spend will not avail much if higher prices make correspondingly higher expenditures necessary.

So, whether employees spend all the money they earn during the emergency period of huge production or confine themselves to their normal spending habits

is not, after all, merely a personal matter with them. Because of their great number and the aggregate amount of their earnings, it is a matter that can have a very marked effect on economic and social conditions.

EFFECTS OF SYSTEMATIC SAVING

Suppose that instead of spending all the present high wages as fast as earned, workers were persuaded to save a reasonable proportion of their earnings—perhaps a definite percentage, perhaps whatever was earned for overtime work. What would be some of the probable effects if such a program became general?

Standards of living would rise to a full-time earnings basis, which in many families would be a real advance. Personal debts could be liquidated, some sorely needed improvements in the home could be secured and the family living standard could probably be maintained at a reasonably higher level, except to the extent that increasingly higher taxation might make inroads on income. Barring an international crisis that would require the subordination of all ordinary manufacture to the production of war material, the consumer goods industries could probably, for the most part, meet the demands made on them. The worker would not become accustomed to a scale of living that was over his head, and industries ministering to consumer needs would not be over-expanded. In short, neither the worker's standard of living nor the consumer goods industries would suffer a temporary inflation, and fulfillment of immediate satisfactions would not compete with the job of prosecuting the defense program effectively.

Looking ahead, there are strong personal reasons why workers should save at this time. In addition to relieving the strain on productive facilities, saving now would result in the accumulation of large numbers of individual financial reserves that later might mean the difference between orderly readjustment and calamity.

It should be obvious to anyone who reasons that a serious period of readjustment inevitably lies ahead. The present period of abnormal industrial activity is induced by the vast preparedness program. When the better part of this program is accomplished, or when the war ends, a major source of industrial orders will be exhausted. Greatly expanded plants, as well as new ones that have just been or are being built, will have no outlet for the products they have been equipped to manufacture. Production schedules will be pruned, and, in some cases, discontinued. Large numbers of employees will be laid off and others will go on part-time as operations shrink. Industrial conditions are likely to be chaotic as wartime demand yields to peacetime demand, as wartime facilities are reconditioned for peacetime uses.

Considerable unemployment seems inevitable. How will it be met? "Made" work of various kinds will undoubtedly be necessary, and, to the extent that such

expedients are needed, further strain will be placed on the national treasury at a time when it will least be able to endure further strain. If, however, during the present period of high earnings, American workers generally recapture the habit of thrift, the dimensions of the postwar problem can be substantially reduced. To the gain in self-respect by being independent and having a savings fund in reserve will be added the satisfaction of knowing that through the sacrifice entailed by saving, each is doing his bit to help his country through a critical period.

Wage earners as well as others will shortly be invited by the Treasury Department to assist in financing the defense effort. Through a system of stamps it will be made easy to set aside a few cents or dollars at a time, the stamps to be surrendered later for a bond of small denomination. It is intended by appealing to persons in all income classes to raise some billions of dollars in defense loans. Companies will no doubt cooperate in this effort of the government to raise funds, and, by simplifying the employee's problem by permitting savings through payroll deductions, will make the purchase of defense bonds through thrift an easier matter. By never receiving the part of earnings that is set aside, it will be easier to do without it.

Other agencies for saving are already available. Savings banks have developed methods for regularly collecting and depositing amounts designated by employees. Credit unions have greatly increased in number and seem to be used more and more generally for financing large purchases in place of dependence on consumer credit. There is no lack of agencies that can be used by wage earners to make their savings program effective. All that is needed is determination to save.

REPRESENTATIVE COMMENTS ON SAVINGS

The vital importance of thrift at this time, both as a personal and as a national obligation, has been well expressed by men prominent in their respective fields. At a recent hearing of a Senate Finance subcommittee, Mr. Henry Morgenthau, Jr., Secretary of the Treasury, said in part:

One of the most important services the American people can render at this time is to cooperate in supplying the means for national defense. We ought to make it possible for workers and farmers no less than bankers and business men to contribute to the financial needs of the Government, not only through their tax payments but through their savings as well. There is every reason why a substantial part of the savings resulting from the current increase in employment should be conserved by investment in United States Government securities. The small investor who puts his savings in Government securities will in this way contribute not only to national defense but also to his own individual security.

Another government official close to the broad financial problem which the United States faces and who can speak authoritatively regarding the importance of individual saving to a sound national economy is Mr. Emil Schram, Chairman of the Reconstruction Finance Corporation. In an address at a meeting of THE CONFERENCE BOARD on January 23, 1941, Mr. Schram made the following highly significant comments which he courteously permits to be quoted here:

The National Defense Program has cast a peculiar artificial light over the whole business horizon and no one can predict with any degree of accuracy the economic future of the United States. It is quite possible, however, that this country can survive the chaotic period with a lesser dislocation of its economy than any other nation in the world. If so, it must then be prepared to assume the leadership in the economic rehabilitation of the western world.

Looking at the Defense Program from a purely philosophical point of view, it must be recognized that by providing a period of abnormal production and by stepping up the national income the program affords a chance for American business to find permanent solutions for some chronic economic problems. Of course no sensible business man honestly believes that true prosperity can be based upon the destruction of human life or material goods. Therefore, any general optimism concerning business conditions should be tempered by serious efforts to prevent war profits from becoming a boomerang. Little more than twenty years have elapsed since the last war and there are many now in business who remember the pitfalls of that time. I think the most encouraging thing about the present outlook is the caution which is being exercised by most manufacturers and traders in formulating their programs. At the present time there seems to be a reasonably good chance of forestalling those runaway markets and other evils which the bitter experience of the past has taught us to avoid.

In connection with the subject of runaway markets, I might add a word or two about price controls. Recently we have read many discussions about the imminence of rising prices and resulting inflation. Unquestionably, the United States is infinitely better prepared to combat inflation today than it was during the period from 1914 to 1917. Nor do the same conditions exist today as existed then. Personally, I believe the best safeguard against the dangers of inflation, outside of those affirmative controls which the Defense Commission is prepared to exert in the event of an emergency, is a conscientious program of thrift on the part of the thousands of employees presently occupied in defense industries. After the lean years which are just behind us, it would be a natural thing for those who are just now beginning to receive high wages to go on a spending spree—a

buying binge. However, the resultant overloading of the consumers' goods industries would inevitably cause rising prices of an inflationary character. What is more, a wild orgy of consumer buying at this time would constitute a drain on those individual financial reserves which will be so vital to cushion the economic impact when the defense program is over. All of us realize that it will require the combined genius and cooperation of our entire nation's business interests to make the necessary adjustments in our economy when the present period of frenzied production is at an end. The continuation of consumer purchases by the use of those individual financial reserves built up during the defense period can be an important bulwark during this inevitable period of readjustment. Therefore, I think it would be a good idea for all of you who are connected with American industry to impress upon the minds of your employees the immense importance of personal thrift during this emergency period. In the final analysis, our citizenry can perform a great patriotic service at this time by adopting a systematic savings program.

Distinguished representatives of industry and labor courteously permit themselves to be quoted on the subject of the present importance of saving. Mr. Owen D. Young, Honorary Chairman of the General Electric Company, writes:

In these times when defense is the first in order of the nation's business and when, as a result of this public expenditure, there is a substantial increase in earnings and therefore of purchasing power, I think it important that private expenditures should so far as possible be limited to immediate needs, and in cases of deficient earnings heretofore, to the restoration of usual and normal living standards.

I should deeply regret to see increased earnings spent for an extension of living standards at this time. I would much prefer that standards be kept where they are and that savings be made in anticipation of the period when public expenditures cease and our economy has again to be carried on its own momentum.

Such a program will diminish the calls for goods now in competition with defense and the savings will provide a fund from which future purchases can be supplied not with detriment but with help to the nation as a whole.

Another statement from a prominent leader of industrial thought comes from Mr. H. W. Prentis, Jr., President of the Armstrong Cork Company:

Americans are now producing an unprecedented quantity of consumers' goods, plus a rapidly increasing supply of military equipment and war materials. While this situation may indicate prosperity, it is a prosperity more apparent than real

because it is caused to a large extent by emergency conditions that will end abruptly some day. Meanwhile, with each passing month, our country may find itself forced to devote more and more of its energy and resources to the creation of instruments and supplies of war.

The cost of this tremendous defense effort will be borne by every American citizen in the form of taxes that are already high and will go still higher. In addition, vast quantities of private savings must be made available to the government in order to produce with the utmost speed the ships, tanks and planes we shall need.

To pay these taxes, therefore, and also to provide the other funds that are required, it will be necessary for every American to set aside part of his income. Desirable as it is in normal times for an individual to save regularly, it is all the more important now. In addition to patriotic reasons, it is vital for personal self-protection that part of today's income be set aside for the future, because it is well to remember that the forced business activity of the present will be followed sooner or later by an economic depression. Those best able to meet that situation will be the individuals who have had the wisdom to save systematically a portion of the income earned during the present period.

In a similar vein Mr. William Green, President of the American Federation of Labor, emphasizes the importance to workers of systematic saving:

Working people will exercise good judgment if they begin to prepare now for the economic change which will take place when the national preparedness program is completed and the international emergency is terminated. Thinking people look forward to this decided change with feelings of apprehension.

It is reasonable to conclude that it will be impossible to absorb the millions who are employed in the national defense program into private industry. For this reason, working people will serve their highest and best interests if they save part of their earnings now. They will be better prepared to stand the shock incident to the economic and industrial reaction which will inevitably take place when the defense program is completed if they practise thrift and lay aside each month a portion of their earnings as savings. Wage earners will protect themselves and their families by following a policy of saving now.

One of the leading labor economists of the country, Professor Sumner Slichter of Harvard, in an address before the Academy of Political Science, commented as follows:

If high wages in the defense industries are to serve the purpose of compensating the workers for the temporary character of the jobs, savings plans

should be pushed in these industries. And where employers find it advisable to make wage concessions the employees should be encouraged to accept the concession in the form of a bonus or unchanged base rates, the bonus not to be paid out currently, but to be deposited in a reserve against unemployment. In that way the workers avoid wasting their money in futilely bidding up prices of scarce supplies of goods and they increase their protection against unemployment when defense demand drops.

* * * * *

Every right-minded person in the United States, whether or not he is a citizen, wants this country to emerge from the present international cataclysm in as strong a position as possible. This is essential, whatever the outcome of the war may be. If the Fascist Powers should be victorious, a strong United States would be the only hope that any vestiges of democracy might remain in the world as the nucleus for eventual rebirth of democratic principles elsewhere. If the Fascist Powers are defeated, a strong United States will be needed to help bring order out of the chaos that will follow the cessation of hostilities. This country is already so deeply involved in the war that even if it

does not become an active belligerent it faces a serious transitional period when its manufacturing facilities are turned from the production of war materials to peacetime operation. Whatever can be done, not only to facilitate the most efficient accomplishment of its defense objective, but also to lighten the impact of its postwar readjustment, is constructive and patriotic.

Every person who is earning more than a bare living wage possesses the opportunity and the obligation to do his or her part financially toward making the United States strong and keeping it strong because it is the American system that has made possible the high earnings of today. Each person's possible contribution toward national stability and security by a proper balance between spending and saving may seem small, but in the aggregate the potential effect of the manner in which the billions of dollars of wages and salaries are spent will be immense. Thrift has been a traditional American characteristic, and a return to habits of thrift at this time will not only help the individual to prosper but will revitalize national morale. Saving now will, in reality, be saving for defense.

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Employee Publications¹

DURING the first World War, the need for employee cooperation to stimulate increased production, and the growing realization of the importance of the human element in industry, resulted in a rapid growth in the number of employee publications. Although the business depressions during the early 1920's and 1930's caused many companies to suspend their publications, the number now active, estimated at about 1,000, is at an all-time high.

Because a vital need exists today for increased cooperation, understanding and unity among employees and between employees and management, employee publications are being carefully reexamined to assure that they fulfil their objectives to the highest possible degree. To provide business executives and industrial editors with information about publication policies, practices and experience in representative establishments, THE CONFERENCE BOARD has just completed a study of the subject, made possible through the cooperation of 203 companies.

OBJECTIVES

A number of different kinds of company house magazines exist, the purpose of some being to bring current

¹Digest of Studies in Personnel Policy, No. 31, "Employee Publications," published February 18, 1941.

information about a company's products or services to the attention of its salesmen, dealers and prospective customers. The term *employee publication*, as used in the present study, refers to any periodical issued by a business or industrial establishment, or by its employees, that is made available to all employees in one or more of the company's operating units, and that deals primarily with the internal news of the business and the relations of all concerned in its operations.

Statements as to the fundamental purpose of their publication were received from many executives and editors, and might be summarized as follows:

- I. To promote unity, friendliness, and family spirit in the company by:
 1. Enlarging the acquaintance of employees with themselves, of employees with management and of management with employees.
 2. Serving to break down the natural barriers between departments or between executives and workers that may be due to an employee's rank or job location.
- II. To maintain respect and confidence by:
 1. Explaining to employees the reasons for any

management policy or action which may affect their working conditions or other interests.

2. Interpreting the problems and progress of the business and industry, upon the success of which all employees depend for a livelihood.
3. Informing employees about the company's activities, operations, products, technical developments and organizational changes.

III. To develop goodwill by:

1. Giving recognition to employees for their good work and faithful service.
2. Making employees feel that they are individuals and that their jobs, however small, are important in the conduct of the business.
3. Giving publicity to employees' recreational and social activities.
4. Offering a medium for self-expression to employees interested in contributing to the publication.
5. Providing entertaining, practical and inspirational information on self-improvement, health, thrift, citizenship, hobbies, travel and other subjects pertaining to personal and family interests.

IV. To secure cooperation in reducing costs by:

1. Promoting safety and eliminating waste.
2. Encouraging initiative and by stimulating suggestions from employees.

V. To improve public relations by:

1. Showing how the company's products or services are used.
2. Giving employees some evidence upon which they may be proud of their company and its contribution to the general public.

VI. To maintain a permanent record of plant activities and a history of the development of the company.

APPEARANCE

Employee publications have never been very uniform in appearance, although most have some resemblance to conventional types of magazines, newspapers, tabloids or digests, and a few might be called bulletins. In recent years, many have undergone changes for economy, to attract greater attention, to permit greater flexibility in printing and layout, to make the style most appropriate for the copy, or to make the design fit the particular reading habits of those for whom they are published.

With respect to format, 124 of the 203 publications are classified as magazines. Among these, thirty-five different page sizes are found, the most common being 8½" by 11", 6" by 9", 8" by 11", and 9" by 12". The number of pages per copy of the magazines ranges from four to fifty-two, and the average is 23.1. Seventy-three publications are classified as newspapers, and their page sizes are found to be equally varied. Fifty-one are 9" by 12" or larger, while twenty-two are 8½" by 11" or smaller. About one-half consist of four pages, and the average for the seventy-three is 6.9. Six publications are classified as bulletins. Of these, four are 8½" by 11", one uses a larger and one a smaller page size, and all consist of eight pages or less.

An analysis of the reproduction processes used showed that 172, or 85.2%, of the 203 publications are printed by letter press, seventeen are offset, eight are mimeographed, one is multigraphed, two are combination mimeograph and offset, and two are combination mimeograph and letter press.

Nearly four out of every five of the 203 publications are issued once a month or more frequently. It was found that 4.4% appear weekly, 11.8% semi-monthly or bi-weekly, 61.6% monthly, 9.8% bi-monthly, 6.4% quarterly and 6% are issued 8, 10, 11 or 18 times a year.

The range of circulation per issue of the publications is less than 1,000 copies for 15.8%, 1,000 to 5,000 copies for 45.3% and over 5,000 copies for 38.9%. A few publications are widely circulated to persons outside the employee group, but for most the external circulation is rather limited. Among those who are sometimes added to the mailing lists are: former employees, pensioners, stockholders, editors of other company publications, associated companies, and prominent business and professional people in the community.

The chief method of distribution is by messenger in 18.2% of the 203 companies, in bulk to departments or at exit gates in 57.6%, with pay checks in 3.5% and by mail to employees' homes in 20.7% of the companies. In an increasing number of companies, management is mailing the publication in the belief that the advantages to be gained, by having it reach into homes, more than justify the added expense involved.

EDITORIAL SUPERVISION AND STAFF

The initiative for and editorial supervision of employee publications are generally directed in some measure by company management.

The immediate responsibility for the publication is delegated in over 75% of the 203 establishments to the personnel or industrial relations division, or to the advertising, publicity, or public relations department. In eleven of the companies, the publication is supervised and produced by a special department.

In fifty-seven companies, the publication is subject to some direction by an advisory or editorial committee.

In thirteen of these, rank and file employees are represented, while in forty-four, the members are chiefly representatives of top management. The editor, in about one-half of the companies, reports directly to the plant superintendent or to the general manager, vice-president, president, or other high company official.

It was found that the status of editors and the amount of time they devote to the employee publication vary greatly in different companies. Replies indicated, however, that producing the publication requires the full time of one or more persons in 26.1% of the companies; in 42.9%, the job is handled by one person on a part-time basis; and in 31%, two or more persons give part time to the work.

In about 75% of the 203 companies, there are employee reporters or correspondents who contribute articles or gather news, and in nearly all cases, they serve without additional compensation for this work. A few publications have a staff photographer and a number of editors do most of their own photographic work. While photographs are sometimes purchased for cover illustrations, many editors encourage plant camera clubs and organize camera contests among company employees.

CONTENTS

Personal items, reports of social and athletic events, club and department news, safety and service awards are just a few of the topics regularly carried in most employee publications. Many editors also use informative articles which explain the company more fully or which show the close relationship between employees, their jobs and the success of the business.

In response to the survey, editors indicated the topics frequently used that are considered important by their company. Over 50% reported using articles that tell about important facts and problems of the industry; over 60% use items about the company products or services, company history and growth, personnel policies, employee hobbies and biographies of employees; over 70% use articles on company operations, and on employees and their jobs. In over 27% of the publications it is customary to print an interpretation of the company's financial statement, and editors in 18.2% of the establishments stated that a separate report is prepared for this purpose.

Estimates were made by 200 editors of the relative amount of space given to company news and to employee activities. The proportion devoted to company news ranged from none in three publications to 55% or more in twenty, but five out of every eight publications give 70% or more of their space to employee activities. Estimates on the proportion of total space devoted to pictures ranged from none to 85%, but nearly two-thirds of the publications devote 25% or more of their contents to pictures.

COSTS

The cost of an employee publication obviously will vary according to the size of circulation, the format, the number of pages, the quality of paper, the reproduction process and the amount of art work and other illustrative material used. To a certain extent costs also are affected by the editors' production practices and by the prevailing prices for printing and engraving in different sections of the country.

An attempt was made, however, to obtain cost figures that would serve as a guide beside which an individual company might compare its costs with that of representative publications. Comparable figures on the average cost per copy, excluding salaries and overhead, were reported for 171 publications. Amounts ranged from less than 1¢ per copy for a small newspaper to 30¢ per copy for a magazine having a circulation of less than 5,000, but the average cost per copy of 105 magazines was 12.1¢ and for 66 newspapers, 6.1¢.

It was possible to calculate the average annual cost per reader by multiplying the per copy cost by the number of issues published per year. The annual costs thus found ranged from 18¢ to \$3.60 for magazines and from 10¢ to \$4.42 for newspapers with the average for those in each group being \$1.20 and \$1.02 respectively. Although wide variations in cost were noted between individual publications, there was some uniformity in average costs, when analyzed on the basis of circulation.

In 189, or 93.1% of the 203 companies, the publication is paid for entirely out of company funds. Of the other fourteen publications, seven are supported by advertising revenue and by the company; one is paid for entirely by advertising; two are supported by advertising and by employees; three are paid for by employee subscriptions and by the company; and one is supported by profits made at the company candy store.

It is impossible to measure the value received from a publication on a dollar and cents basis, and its cost necessarily must be determined on the basis of what management hopes to accomplish and by the requirements of each individual company.

PUBLICATION PROBLEMS

Editors were given the opportunity to report in confidence some of the problems they face in improving their publications. More than half of the 203 editors indicated that the chief difficulties are finding out what employees want and trying to edit for diversified reader groups. The fact that it is becoming a rather common practice to check reader interest in employee publications by means of various kinds of personal and questionnaire surveys shows that many editors are attempting to solve these problems. Other difficulties that editors apparently find include the following: pressure of other duties; gathering usable material (usually about the company); copy limitations due to tradition or

policy; finding out what management expects; production problems due to a limited budget; clearing copy through too many persons; too little support and interest given by top management.

In answer to a direct question on whether or not labor problems or other controversial subjects have caused difficulties, only five editors reported "yes" and ten said there have been minor difficulties. The typical reply was that controversial subjects are not discussed, although a few editors indicated that labor matters, wage policy and similar topics are discussed with complete frankness.

Those cooperating in the survey were also asked if they anticipated any developments that might affect their publications because of the national defense program. The majority of replies had nothing to suggest, but some comments mentioned the following: probably higher costs, increases and changes in personnel, possible censorship of pictures and articles on plant operations, more space devoted to patriotism, possible restriction on the use of paper, increased value of the publication as an important medium for giving information on plant regulations.

APPRAISAL OF EMPLOYEE PUBLICATIONS

An attempt was made to learn the general attitude of management as to how well publications accomplish their objectives. Opinions were sought from editors and others directly responsible for the publications, with the idea that they might be able to reflect the rep-

resentative views of their management and thus avoid extreme opinions, favorable or otherwise, of any one executive. After interpreting the various expressions as carefully as possible, comments can be summarized as follows: enthusiastic, 30%; generally favorable, 45%; apparently satisfied, 10%; opinions divided, 1%; editor does not know, 2%; not reported, 12%.

Replies such as, "Assume they are satisfied since they pay the bills," or "Have had no complaints or criticisms" were rather numerous and perhaps were to be expected. They suggest, however, that if some managements do give periodic consideration to the purposes and effectiveness of their publications, they fail to discuss it with the editor.

What and how much has been gained from any publication depends upon both the value of its objectives and how successful it has been in fulfilling them. Those publications which have been discontinued apparently either were not founded upon purposes that the companies ultimately considered important, or else failed to prove that they were essential or successful enough to merit continuation. The fact that employee publications have shown a steady growth and long development, and have been inaugurated and continued, particularly in recent years, indicates that a firm belief must exist in many companies that some advantages have been gained in return for this item of expense.

C. E. PAYNE

Management Research Division

Chronology of Events Affecting Labor Relations February 11 to March 10

February

11 *Wildcat Strikes Frowned Upon*—George W. Taylor, labor umpire between General Motors Corporation and U.A.W.-C.I.O. upholds discharge of men involved in wildcat strike, ruling that the men had violated a vital clause of the union agreement.

12 *Large Savings Distribution*—General Motors Corporation begins distribution of 5-year savings fund to 35,000 employees. For each \$100 paid into the savings fund in 1935 employees receive \$143 and one share of common stock. In past 22 years of operation of plan \$264,301,368 have been paid out in such distributions.

Bridges To Be Tried Again—Under 1940 Alien Act, Attorney General Jackson orders new deportation proceedings against Harry R. Bridges, West Coast labor leader.

13 *Standardization of Wages Held Possible*—Wage-Hour Administration advises Congress that in view of experience in last World War it may, in event of this country's

becoming involved in war, be necessary to standardize wages to protect workers and make efficient use of their time. This would prevent "stealing" labor and discourage workers from constantly seeking new employment at higher wages.

17 *Merit System of Job Insurance Approved*—Federal Social Security Board advises New Jersey Unemployment Commission that it approves the provision of the State law having to do with a merit-rating system which would regulate employer contributions on the basis of employment stability.

19 *U. S. Freezes Shipyard Pay*—Secretary of Navy and Chairman of Maritime Commission order all commercial shipyards having Navy and Commission shipbuilding contracts to make no changes in existing wage scales unless authorized by the government. Wage cuts are automatically prohibited also. Purpose believed to be to prevent playing off one company against another to accomplish series of wage increases in the industry.

(Continued on page 39)

A Glance at Labor Statistics

Average hourly earnings of all wage earners in 25 manufacturing industries increased from 75.4¢ in December¹ to 75.9¢ in January, 1941. In January, 1940 the corresponding figure was 72.7¢, indicating a 4.4% advance in 12 months.

Average weekly earnings of all wage earners rose from \$30.28 in December¹ to \$30.61 in January, 1941, an increase of 9.0% over the figure of \$28.09 for January, 1940.

Employment rose moderately from an index of 108.0 in December to 109.1 in January. This constitutes an increase of 13.3% in employment since January, 1940.

Average hours of work per week rose from 40.1 in December to 40.3 in January, as compared with 38.7 in January, 1940.

¹Revised.

The cost of living rose slightly from 86.0 in January to 86.1 in February, as compared with 85.1 in February, 1940. The purchasing power of the dollar on the basis of the cost of living stood at \$1.161 in February, 1941, as compared with \$1.00 in 1923.

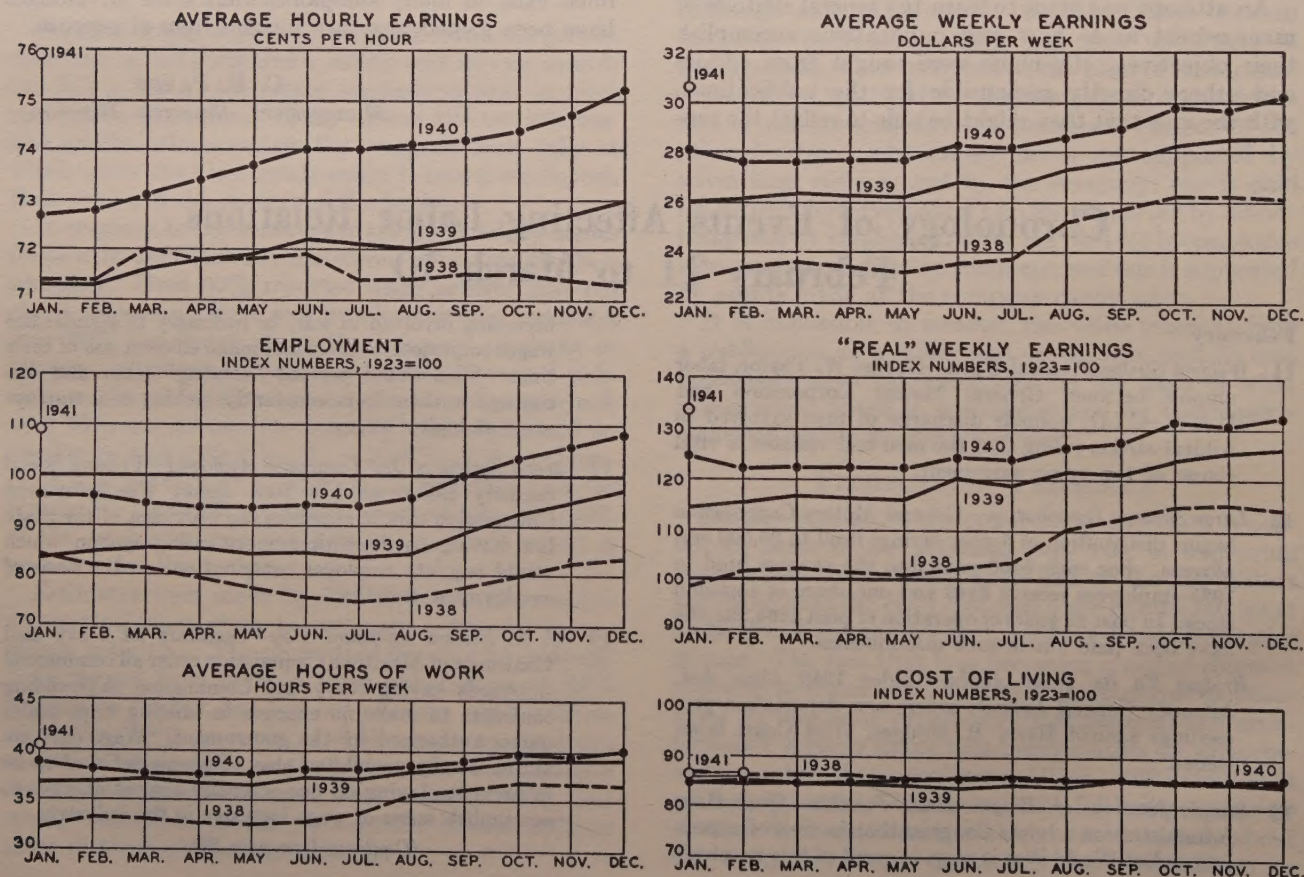
Real weekly wages, or the purchasing power of money wages, rose from 132.5 in December¹ to 133.7 in January.

The number of unemployed persons in the United States, according to THE CONFERENCE BOARD's estimates, increased by 729,000 from December to January, largely as the result of reductions in working forces of trade, distribution and finance. The estimated total for January, 1941 was 7,664,000.

¹Revised

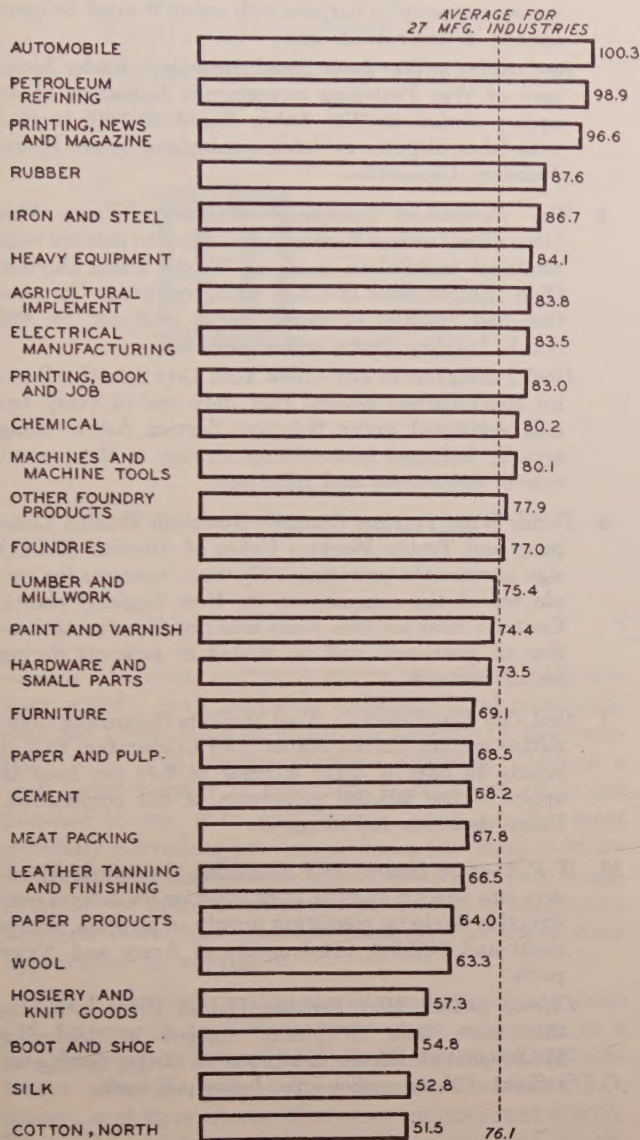
LABOR TRENDS IN 25 MANUFACTURING INDUSTRIES AND THE COST OF LIVING

Source: THE CONFERENCE BOARD



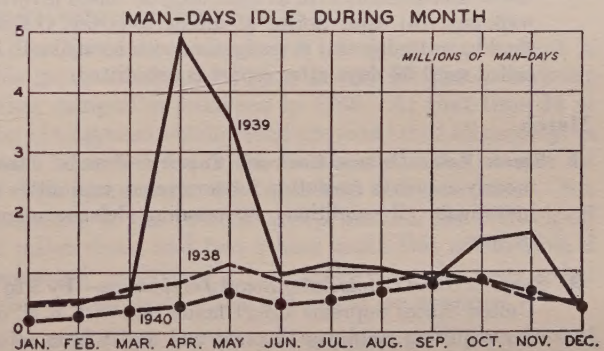
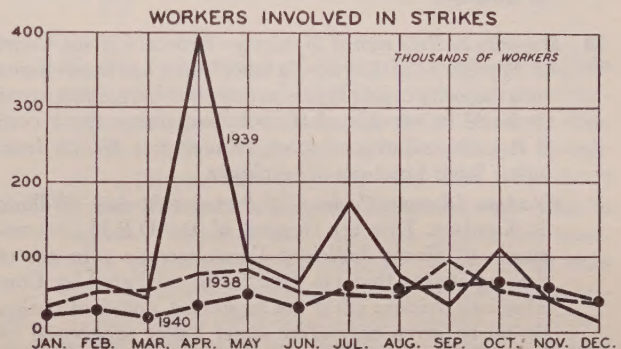
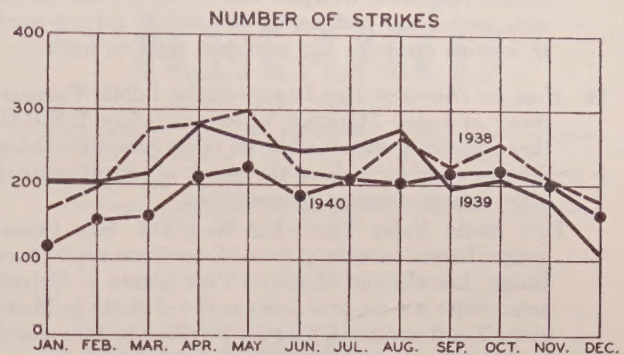
AVERAGE HOURLY EARNINGS IN CENTS 27 MANUFACTURING INDUSTRIES, JANUARY, 1941

Source: THE CONFERENCE BOARD



INDUSTRIAL DISPUTES

Source: United States Bureau of Labor Statistics



Chronology of Events (Continued from page 37)

February

19 *Machinists in Jurisdictional Dispute*—The International Association of Machinists threaten to stop paying dues for its 200,000 members to American Federation of Labor unless executive council reaffirms jurisdiction for certain millwright work contested by carpenters' union.

24 *Wage Stabilization Plan Advocated*—President of Industrial Union of Marine and Shipbuilding Workers of America (C.I.O.) advocates setting-up of four regional

boards to stabilize wages, hours and working conditions in shipbuilding industry.

25 *Railroad Releases Labor for Defense*—Delaware, Lackawanna and Western Railroad plans to furlough 200 skilled employees in its mechanical department without loss of seniority for work in defense industries. Plan is to spread shop repair work in order to keep smaller force fully employed.

Georgia Senate Bans Union Fees—Georgia State Senate passes, by 35 to 11, a bill to prohibit labor unions from

February

collecting any money from workers on federal emergency defense projects in Georgia. Bill intended to discourage racketeering and profiteering on national defense work by levying excessive fees to obtain right to work.

- 26 *Need for Dismissal Pay Urged*—Isador Lubin, Commissioner of Labor Statistics, advocates before T.N.E.C. that a dismissal wage fund be set up by companies doing defense work to cushion the shock of unemployment after defense program is completed.

Ford Strike Notice Filed—U.A.W.—C.I.O. files formal notice of intent to strike at Ford Motor Company's River Rouge, Lincoln and Highland Park plants in Detroit area. State law requires 5-day notice of strike to Mediation Board and 30-day notice if public welfare would be affected.

- 28 *Majority to Rule even if Minority*—Federal Circuit Court of Appeals rules that once a labor union has been chosen by a majority of employees as exclusive bargaining agent it should be considered the sole bargaining agent even if it loses majority support, if such loss results from unfair labor practices of employer.

Knudsen Advocates Cooling-Off Period in Strikes—William S. Knudsen, Director General of the O.P.M., recommends to House Judiciary Committee as a means of curbing strikes that (1) disputes be mediated by Conciliation Division; (2) if not so settled, notice of strikes should be given only after secret ballot supervised by Labor Department with at least 60% of voters favoring walk-out; (3) after notice of intent to strike, O.P.M. shall have 10 days for investigation with no strike to be called until 30 days after report is submitted.

March

- 1 *Senate Votes Defense Contracts Inquiry*—Senate unanimously approves resolution for seven-man committee to investigate all conditions surrounding defense manufacture.
- 3 *Supreme Court Limits Labor Board Jurisdiction*—By 5 to 3, United States Supreme Court holds that N.L.R.B. order requiring employer to cease and desist from refusing to bargain with union or "in any manner" interfer-

March

ing with the union's organizing and bargaining rights is too broad. While upholding Board's requirement calling on company to bargain with union it must be more specific in its prohibitions.

Re-Creation of War Labor Board Advocated—Under Secretary of War Patterson recommends formation of an agency similar to War Labor Board of 1918 to deal with labor disputes in defense industries before House Judiciary Committee.

- 4 *War Department Intervenes in Labor Dispute*—War Department orders Penner Corporation to proceed with electrical installation work at Wright Field, Dayton, Ohio. Employment of C.I.O. labor by Penner Corporation had resulted in jurisdictional walk-out by 400 A.F.L. building trades union members.

Draft Taking One in Ten—New York City Selective Service Headquarters reports that only one of every ten men registered under Selective Service Act is being actually inducted into military service, at the present rate of deferments and rejections.

- 6 *Textile Wage Increase Granted*—American Woolen Company and Textile Workers Union of America (C.I.O.) sign agreements providing 10% wage increases for employees of the company in its New England plants. Contract runs for two years and provides for arbitration of grievances and no strikes or lockouts during life of contract.
- 7 *Steel Pay Rise Rejected*—Steel Workers Organizing Committee notifies United States Steel Corporation that it rejects an offer of wage increase of 2.5¢ per hour to apply to the 261,000 employees of the corporation. Union demands 10¢ increase.

- 10 *W.P.A. at 48 Hours*—W.P.A. Acting Commissioner orders into effect a 48-hour work week on its defense construction projects, consisting mainly of airports, access roads and building construction at Army and Navy posts.

Defense Strikes More Serious—United Press estimates that more than 21 plants engaged in producing \$75,000,000 of defense orders are on strike, costing an estimated three million man hours per week.